

CONFIDENTIALNPIC/P&DS/345-65
5 October 1965**MEMORANDUM FOR:** Chief, Support Staff, NPIC**ATTENTION:** 1. Chief, Logistics Branch, SS/NPIC
2. Contract Branch, PD/OL25X1A **SUBJECT:** [REDACTED]

REFERENCE: 1. Letter from Acting Chief, Contract Branch, PD/OL dated 16 August 1965.

2. Letter from [REDACTED] dated 23 July 1965, subject: [REDACTED] Request for Contract Amendment on Projects [REDACTED]

3. Letter from Chief, Contract Branch PD/OL dated 1 September 1965.

4. Letter from [REDACTED] dated 18 August 1965, subject: Addendum to Request for Contract Amendment on [REDACTED]

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1. [REDACTED] request for amendments to [REDACTED] has been thoroughly analyzed. Collateral materials such as Design Objectives, Technical Proposals, [REDACTED] Monthly Progress Reports, and the Technical Monitor's Trip reports have all been reviewed with respect to the claims made by the contractor concerning (alleged) changes in scope and additional tasks imposed. This memo presents the results of that study and our recommendations based upon it.

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2. The following observations and recommendations are based on a survey of the aforementioned material. The contractor claims there was a change in scope in the following areas:

A. Vacuum Film Holddown.

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Optomechanisms reports it incurred additional costs of [REDACTED] viewers as a result of being required to perform added tasks in a film holddown system. A change in scope did not take place, and additional tasks

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were not levied on the contractor. The contractor was required to provide a system capable of holding film flat in the field of focus at all magnifications for which the equipment was designed.

It was further required that this be accomplished without the number of vacuum grooves, the location of the grooves, or the width and depth of the grooves interfering with the prime function of the instruments, i.e., viewing film.

The system first implemented by the contractor did not fulfill these requirements and was rejected by the Technical Representative (the monitor). The system finally accepted was still not ideal but was a reasonable compromise between required performance and what was possible from an engineering standpoint.

B. Objective-Head Drives.

Additional costs of [REDACTED]

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[REDACTED] Viewers are requested by the contractor for added tasks involving the objective-head drive systems. Neither the task nor the scope was changed in any respect. The design objectives specifically state that the scanning system "must have speed-control, sensitivity, and smoothness commensurate with the magnification setting". The two-speed gear boxes originally used by the contractor did not satisfy the specifications, and refitting with the three-speed gear boxes was required to comply with the specifications. It is still not the most desirable system, but once again a realistic compromise.

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C. Extension of the Optical Range to Include Low Magnification and Large Field of View.

The contractor is requesting additional funds of [REDACTED]

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[REDACTED] Viewers. This is not an additional task but an extra cost item included at the last minute prior to final negotiations. However, in their rush to include this in the original contract, [REDACTED] hastily bid [REDACTED] per instrument (an unrealistic amount) for this feature without thoroughly studying the problem. Monetary relief should be provided the contractor for a portion of the loss sustained, keeping in mind that if the price for this feature had been high [REDACTED] the bid would have been rejected and the feature not incorporated.

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D. Film Loop.

The contractor is requesting additional funds of [REDACTED]

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[REDACTED] Viewers. This is not a change in scope or an additional task. At the time of negotiation, the contractor was asked to propose on a modification to increase

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the loop of 20'; his proposal was technically unacceptable and consequently rejected. The contractor then agreed to get the maximum possible film loop within the present system. No additional task or change of scope was involved or claimed at that time and should not be now.

3. The primary problem appears to be five-fold:

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A. [REDACTED] failed to understand the full complexity of the design and development problem and underbid the contract.

B. The contractor bid fixed price further compounding his problem.

C. The contractor failed to correctly interpret the implications of building five prototype units concurrently.

D. The contractor failed (in the beginning) to believe the contract monitors when they told [REDACTED] that certain features were unsatisfactory.

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E. The contractor's present dilemma arises from problems that could have been coped with more judiciously as they occurred.

- (a) Supplemental proposals and cost estimates should have been submitted at the time of the occurrence if the contractor felt there was a change in scope or added tasks.
- (b) The monthly financial statements should have indicated the percentage of funds expended (including overhead) and not just the actual cost of labor and parts.
- (c) Bench or breadboard testing and evaluating of systems prior to inclusion into final fabrication of the viewers could have prevented considerable trouble.

4. Technically or contractually [REDACTED] does not have a valid case. However certain things must be said in defense of the contractor.

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A. Despite his losses the contractor valiantly tried to build usable equipment and to meet difficult specifications which in many cases required technical break throughs and cost the contractor money.

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B. The first unit ~~delivered~~ has been unusually bug free and shows every indication of becoming an operational tool.

C. The contractor is the only known source of this type of equipment and of the imaginative engineering required to make the technological break throughs necessary to build it.

This office does not like to contribute to putting a contractor out of business; especially when he is the only reliable source of certain types of equipment. While the contractor does not have a sound contractual case it would be to the Government's advantage to provide some partial relief if an audit does in fact substantiate the documented losses. However, any such relief should be predicated upon successful delivery and acceptance of the other four units and the availability of funds.


Assistant for Plans and Development

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